

VILLAGE OF DETOUR  
Chippewa County, Michigan

FINANCIAL REPORT WITH  
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2006

## AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

<b>Local Government Type</b> <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		<b>Local Government Name</b> Village of DeTour	<b>County</b> Chippewa
<b>Audit Date</b> March 31, 2006	<b>Opinion Date</b> May 23, 2006	<b>Date Accountant Report Submitted to State:</b> July 7, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).	X		

<b>Certified Public Accountant (Firm Name)</b> Campbell, Kusterer & Co., P.C.			
<b>Street Address</b> 512 N. Lincoln, Suite 100, P.O. Box 686	<b>City</b> Bay City	<b>State</b> MI	<b>Zip</b> 48707
<b>Accountant Signature</b> Campbell, Kusterer & Co., P.C.			

VILLAGE OF DETOUR  
Chippewa County, Michigan

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# CAMPBELL, KUSTERER & CO., P.C.

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## INDEPENDENT AUDITOR'S REPORT

May 23, 2006

To the Village Council  
Village of DeTour  
Chippewa County, Michigan

We have audited the accompanying financial statements of the governmental activities, business-type activities and each major fund of Village of DeTour, Chippewa County, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Village of DeTour's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities and each major fund of the Village of DeTour, Chippewa County, Michigan as of March 31, 2006, and the respective changes in financial position and cash flows where applicable, of these activities and funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated May 23, 2006, on our consideration of the Village's internal control over financial reporting and on tests of its compliance with certain provisions of laws, regulations, contracts and grants.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Village's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Campbell, Kusterer & Co., P.C.*  
CAMPBELL, KUSTERER & CO., P.C.

VILLAGE OF DETOUR  
Chippewa County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended March 31, 2006

The Management's Discussion and Analysis report of the Village of DeTour covers the Village's financial performance during the year ended March 31, 2006.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2006, totaled \$551,671.59 for governmental activities and \$4,370,881.23 for business activities. Overall total capital assets remained approximately the same.

Overall revenues were \$423,790.52 from governmental activities and \$193,930.79 from business-type activities. Governmental activities had a \$27,121.66 increase in net assets. Business-type activities had a \$597,065.29 increase in net assets.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Village and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental and business-type activities.

The remaining statements are fund financial statements, which focus on individual parts of the Village in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Village as a whole using accounting methods used by private companies. The statement of net assets includes all of the Village's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Village are reported as governmental activities and business-type activities. These include the General Fund, Major Street Fund, Local Street Fund, Housing Fund, Debt Service Fund, Water Fund and the Sewer Fund.

VILLAGE OF DETOUR  
Chippewa County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended March 31, 2006

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Village's funds, focusing on significant (major) funds not the Village as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Village Council also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Village has the following types of funds:

Governmental Funds: Some of the Village's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Village's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Village's governmental funds include the General Fund, Major Street Fund, Local Street Fund, Housing Fund, and the Debt Service Fund.

Business-Type Funds: The Village has a Water Fund and Sewer Fund which includes the activity of providing water and Sewer to Village residents.

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

Our cash position in both the governmental and business-type activities remains strong.

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

The General Fund had a \$35,287.49 increase in fund balance. The Major Street Fund had a \$39,055.28 decrease in fund balance. The Local Street Fund had a \$2,054.66 increase in fund balance. The Debt Service Fund had an \$14,533.26 increase in fund balance.

The Water Fund had a \$642,393.38 increase in net assets and the Sewer Fund had a \$45,328.09 decrease in net assets.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Village's governmental activities invested \$33,000.00 in capital assets.

The Village's business-type activities invested \$673,848.08 in capital assets.

The Village's governmental activities paid \$37,382.53 of principal on long-term debt and obtained \$23,000 in new loan proceeds.

The Village's business-type activities paid \$26,000.00 of principal on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income.

CONTACTING THE VILLAGE'S MANAGEMENT

This financial report is intended to provide our taxpayers, creditors, investors and customers with a general overview of the Village's finances and to demonstrate the Village's accountability for the revenues it receives. If you have any questions concerning this report please contact the Village Clerk or Village Treasurer at 906-297-5471.

VILLAGE OF DETOUR  
Chippewa County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS

March 31, 2006

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS:			
CURRENT ASSETS:			
Cash in bank	286 904 50	11 243 26	298 147 76
Cash on hand	100 00	100 00	200 00
Taxes receivable	11 255 74	-	11 255 74
Accounts receivable	2 434 00	12 054 58	14 488 58
Due from other funds	10 324 99	-	10 324 99
Due from State of Michigan	12 530 63	-	12 530 63
Total Current Assets	<u>323 549 86</u>	<u>23 397 84</u>	<u>346 947 70</u>
OTHER ASSETS:			
Cash in bank – restricted	-	56 897 53	56 897 53
Total Other Assets	<u>-</u>	<u>56 897 53</u>	<u>56 897 53</u>
CAPITAL ASSETS:			
Capital Assets	912 449 00	6 538 456 85	7 450 905 85
Less: Accumulated Depreciation	<u>(350 185 00)</u>	<u>(1 513 546 00)</u>	<u>(1 863 731 00)</u>
Total Capital Assets	<u>562 264 00</u>	<u>5 024 910 85</u>	<u>5 587 174 85</u>
TOTAL ASSETS	<u>885 813 86</u>	<u>5 105 206 22</u>	<u>5 991 020 08</u>
LIABILITIES AND NET ASSETS:			
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts payable	2 181 94	-	2 181 94
Bonds payable	-	27 000 00	27 000 00
Due to other funds	-	10 324 99	10 324 99
Total Current Liabilities	<u>2 181 94</u>	<u>37 324 99</u>	<u>39 506 93</u>
NON-CURRENT LIABILITIES:			
Bonds payable	230 000 00	697 000 00	927 000 00
Contracts payable	101 960 33	-	101 960 33
Total Non-current Liabilities	<u>331 960 33</u>	<u>697 000 00</u>	<u>1 028 960 33</u>
Total Liabilities	<u>334 142 27</u>	<u>734 324 99</u>	<u>1 068 467 26</u>
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	230 303 67	4 300 910 85	4 531 214 52
Restricted	56 886 92	56 897 53	113 784 45
Unrestricted	264 481 00	13 072 85	277 553 85
Total Net Assets	<u>551 671 59</u>	<u>4 370 881 23</u>	<u>4 922 552 82</u>
TOTAL LIABILITIES AND NET ASSETS	<u>885 813 86</u>	<u>5 105 206 22</u>	<u>5 991 020 08</u>

The accompanying notes are an integral part of these financial statements.



VILLAGE OF DETOUR  
Chippewa County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
Year ended March 31, 2006

FUNCTIONS/PROGRAMS	<u>Expenses</u>	<u>Program Revenue</u>		<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Capital Grants - Contributions</u>	
Governmental Activities:				
Legislative	4 184 47	-	-	(4 184 47)
General government	109 603 35	4 265 00	-	(105 338 35)
Public safety	68 055 29	-	-	(68 055 29)
Public works	197 797 05	66 761 80	-	(131 035 25)
Interest on long-term debt	17 028 70	-	-	(17 028 70)
Total Governmental Activities	<u>396 668 86</u>	<u>71 026 80</u>	<u>-</u>	<u>(325 642 06)</u>
Business-Type Activities:				
Water and sewer	<u>272 602 13</u>	<u>193 930 79</u>	<u>673 800 00</u>	<u>-</u>
Total Business-Type Activities	<u>272 602 13</u>	<u>193 930 79</u>	<u>673 800 00</u>	<u>-</u>
Total Government	<u>669 270 99</u>	<u>264 957 59</u>	<u>673 800 00</u>	<u>(325 642 06)</u>
General Revenues:				
Property taxes				182 678 37
State revenue sharing				110 509 67
Interest				9 482 57
Miscellaneous				<u>50 093 11</u>
Total General Revenues				<u>352 763 72</u>
Change in net assets				27 121 66
Net assets, beginning of year				<u>524 549 93</u>
Net Assets, End of Year				<u>551 671 59</u>

The accompanying notes are an integral part of these financial statements.

<u>Business-Type Activities</u>	<u>Total</u>
<u>Net (Expense) Revenue and Changes in Net Assets</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
-	(4 184 47)
-	(105 338 35)
-	(68 055 29)
-	(131 035 25)
-	(17 028 70)
-	(325 642 06)
<u>595 128 66</u>	<u>595 128 66</u>
<u>595 128 66</u>	<u>595 128 66</u>
<u>595 128 66</u>	<u>269 486 60</u>
-	182 678 37
-	110 509 67
1 936 63	11 419 20
-	50 093 11
<u>1 936 63</u>	<u>354 700 35</u>
597 065 29	624 186 95
<u>3 773 815 94</u>	<u>4 298 365 87</u>
<u>4 370 881 23</u>	<u>4 922 552 82</u>

VILLAGE OF DETOUR  
Chippewa County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS  
March 31, 2006

<u>Assets</u>	<u>General</u>	<u>Major Street</u>	<u>Debt Service</u>	<u>Other Funds</u>
Cash in bank	159 369 95	39 106 84	53 677 44	34 750 27
Cash on hand	100 00	-	-	-
Taxes receivable	8 046 26	-	3 209 48	-
Accounts receivable	-	-	-	2 434 00
Due from other funds	10 324 99	-	-	-
Due from State of Michigan	-	9 112 50	-	3 418 13
Total Assets	<u>177 841 20</u>	<u>48 219 34</u>	<u>56 886 92</u>	<u>40 602 40</u>
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Accounts payable	<u>2 181 94</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>2 181 94</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund equity:				
Fund balances:				
Reserved	-	-	56 886 92	-
Unreserved:				
Undesignated	<u>175 659 26</u>	<u>48 219 34</u>	<u>-</u>	<u>40 602 40</u>
Total fund equity	<u>175 659 26</u>	<u>48 219 34</u>	<u>56 886 92</u>	<u>40 602 40</u>
Total Liabilities and Fund Equity	<u>177 841 20</u>	<u>48 219 34</u>	<u>56 886 92</u>	<u>40 602 40</u>

The accompanying notes are an integral part of these financial statements.

Total

286 904 50

100 00

11 255 74

2 434 00

10 324 99

12 530 63

323 549 86

2 181 94

2 181 94

56 886 92

264 481 00

321 367 92

323 549 86

VILLAGE OF DETOUR  
Chippewa County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
March 31, 2006

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	321 367 92
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	912 449 00
Accumulated depreciation	(350 185 00)
Long-term debt liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:	
Bonds payable	(230 000 00)
Contracts payable	<u>(101 960 33)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u>551 671 59</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF DETOUR  
Chippewa County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
Year ended March 31, 2006

	<u>General</u>	<u>Major Street</u>	<u>Debt Service</u>	<u>Other Funds</u>
Revenues:				
Property taxes	130 494 43	-	52 183 94	-
Licenses and permits	4 265 00	-	-	-
State revenue sharing	37 176 85	51 822 81	-	-
Charges for services	66 761 80	-	-	21 510 01
Interest	6 972 09	1 437 11	357 11	-
Miscellaneous	<u>39 303 61</u>	<u>9 034 86</u>	<u>52 21</u>	<u>716 26</u>
				<u>1 702 43</u>
Total revenues	<u>284 973 78</u>	<u>62 294 78</u>	<u>52 593 26</u>	<u>23 928 70</u>
Expenditures:				
Legislative:				
Village Council	4 184 47	-	-	-
General government:				
Assessor	100 00	-	-	-
Clerk	4 778 10	-	-	-
Treasurer	5 456 48	-	-	-
Building and grounds	15 819 59	-	-	-
Village hall	16 021 80	-	-	-
Accounting	16 435 24	-	-	-
Attorney	768 13	-	-	-
Unallocated	48 538 01	-	-	-
Public safety:				
Ambulance	32 267 16	-	-	-
Fire protection	16 555 13	-	-	-
Public works:				
Public works	62 410 95	-	-	-
Highways and streets	-	84 710 63	-	-
Capital outlay	33 000 00	-	-	38 513 47
Debt service	<u>16 351 23</u>	<u>-</u>	<u>38 060 00</u>	<u>-</u>
Total expenditures	<u>272 686 29</u>	<u>84 710 63</u>	<u>38 060 00</u>	<u>38 513 47</u>
Excess (deficiency) of revenues over expenditures	<u>12 287 49</u>	<u>(22 415 85)</u>	<u>14 533 26</u>	<u>(14 584 77)</u>
Other financing sources (uses):				
Loan proceeds	23 000 00	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	-	(16 639 43)	-	16 639 43
Total other financing sources (uses)	<u>23 000 00</u>	<u>(16 639 43)</u>	<u>-</u>	<u>16 639 43</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	35 287 49	(39 055 28)	14 533 26	2 054 66
Fund balances, April 1	<u>140 371 77</u>	<u>87 274 62</u>	<u>42 353 66</u>	<u>38 547 74</u>
Fund Balances, March 31	<u>175 659 26</u>	<u>48 219 34</u>	<u>56 886 92</u>	<u>40 602 40</u>

The accompanying notes are an integral part of these financial statements.

Total

182 678 37

4 265 00

110 509 67

66 761 80

9 482 57

50 093 11

423 790 52

4 184 47

100 00

4 778 10

5 456 48

15 819 59

16 021 80

16 435 24

768 13

48 538 01

32 267 16

16 555 13

62 410 95

123 224 10

33 000 00

54 411 23

433 970 39

(10 179 87)

23 000 00

16 639 43

(16 639 43)

23 000 00

12 820 13

308 547 79

321 367 92

VILLAGE OF DETOUR  
Chippewa County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended March 31, 2006

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 12 820 13

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,  
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense (33 081 00)  
Capital Outlay 33 000 00

Receipt of debt proceeds is a financing source in the governmental funds, the receipt  
does not have an effect in the statement of activities but does increase the debt  
balance in the statement of net assets.

Loan proceeds (23 000 00)

Repayment of debt principal is an expenditure in the governmental funds, the  
repayment does not have an effect in the statement of activities but does  
reduce the debt balance in the statement of net assets.

Principal payments on long-term debt 37 382 53

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES 27 121 66

The accompanying notes are an integral part of these financial statements.



VILLAGE OF DETOUR  
Chippewa County, Michigan

STATEMENT OF NET ASSETS – BUSINESS-TYPE FUNDS  
March 31, 2006

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
ASSETS:			
CURRENT ASSETS:			
Cash in bank	2 894 31	8 348 95	11 243 26
Cash on hand	50 00	50 00	100 00
Accounts receivable	<u>3 751 83</u>	<u>8 302 75</u>	<u>12 054 58</u>
Total Current Assets	<u>6 696 14</u>	<u>16 701 70</u>	<u>23 397 84</u>
OTHER ASSETS:			
Cash in bank – restricted	<u>39 610 66</u>	<u>17 286 87</u>	<u>56 897 53</u>
Total Other Assets	<u>39 610 66</u>	<u>17 286 87</u>	<u>56 897 53</u>
CAPITAL ASSETS:			
Capital Assets	2 825 010 85	3 713 446 00	6 538 456 85
Less: Accumulated Depreciation	<u>(399 914 00)</u>	<u>(1 113 632 00)</u>	<u>(1 513 546 00)</u>
Total Capital Assets	<u>2 425 096 85</u>	<u>2 599 814 00</u>	<u>5 024 910 85</u>
TOTAL ASSETS	<u><u>2 471 403 65</u></u>	<u><u>2 633 802 57</u></u>	<u><u>5 105 206 22</u></u>
LIABILITIES AND NET ASSETS:			
LIABILITIES:			
CURRENT LIABILITIES:			
Current portion of long-term liabilities	12 000 00	15 000 00	27 000 00
Due to other funds	<u>10 324 99</u>	<u>-</u>	<u>10 324 99</u>
Total Current Liabilities	<u>22 324 99</u>	<u>15 000 00</u>	<u>37 324 99</u>
LONG-TERM LIABILITIES:			
Bonds payable	514 000 00	210 000 00	724 000 00
Less current portion	<u>(12 000 00)</u>	<u>(15 000 00)</u>	<u>(27 000 00)</u>
Total Long-Term Liabilities	<u>502 000 00</u>	<u>195 000 00</u>	<u>697 000 00</u>
Total Liabilities	<u>524 324 99</u>	<u>210 000 00</u>	<u>734 324 99</u>
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	1 911 096 85	2 389 814 00	4 300 910 85
Restricted	39 610 66	17 286 87	56 897 53
Unrestricted	<u>(3 628 85)</u>	<u>16 701 70</u>	<u>13 072 85</u>
Total Net Assets	<u>1 947 078 66</u>	<u>2 423 802 57</u>	<u>4 370 881 23</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>2 471 403 65</u></u>	<u><u>2 633 802 57</u></u>	<u><u>5 105 206 22</u></u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF DETOUR  
Chippewa County, Michigan

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS -  
BUSINESS-TYPE FUNDS  
Year ended March 31, 2006

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
OPERATING REVENUES:			
Service charges	79 521 05	85 000 09	164 521 14
Hydrant rental	19 600 00	-	19 600 00
Miscellaneous	5 965 96	3 843 69	9 809 65
Total Operating Revenues	<u>105 087 01</u>	<u>88 843 78</u>	<u>193 930 79</u>
OPERATING EXPENSES:			
Wages	39 288 95	37 086 34	76 375 29
Fringe benefits	16 280 37	16 123 58	32 403 95
Insurance	4 000 00	4 776 25	8 776 25
Supplies	20 291 87	2 323 41	22 615 28
Repairs and maintenance	4 866 92	6 489 74	11 356 66
Contracted services	1 729 85	1 360 00	3 089 85
Utilities	11 512 28	6 091 21	17 603 49
Miscellaneous	2 004 87	3 202 18	5 207 05
Total Operating Expenses	<u>99 975 11</u>	<u>77 452 71</u>	<u>177 427 82</u>
Operating Income (loss) before depreciation	5 111 90	11 391 07	16 502 97
Less: depreciation	<u>(14 314 00)</u>	<u>(46 418 00)</u>	<u>(60 732 00)</u>
Operating income (loss)	<u>(9 202 10)</u>	<u>(35 026 93)</u>	<u>(44 229 03)</u>
NON-OPERATING REVENUES (EXPENSES):			
Interest income	1 095 29	841 34	1 936 63
Federal grant	673 800 00	-	673 800 00
Interest expense	<u>(23 299 81)</u>	<u>(11 142 50)</u>	<u>(34 442 31)</u>
Total Non-operating Revenues (Expenses)	<u>651 595 48</u>	<u>(10 301 16)</u>	<u>641 294 32</u>
Change in net assets	642 393 38	(45 328 09)	597 065 29
Net assets, beginning of year	<u>1 304 685 28</u>	<u>2 469 130 66</u>	<u>3 773 815 94</u>
Net Assets, End of Year	<u><u>1 947 078 66</u></u>	<u><u>2 423 802 57</u></u>	<u><u>4 370 881 23</u></u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF DETOUR  
Chippewa County, Michigan

STATEMENT OF CASH FLOWS – BUSINESS-TYPE FUNDS  
Year ended March 31, 2006

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from customers	116 961 86	88 397 89	205 359 25
Cash payments to suppliers for goods and services	(60 686 16)	(40 366 37)	(101 052 53)
Cash payments to employees for services	(39 288 95)	(37 086 34)	(76 375 29)
Net cash provided (used) by operating activities	<u>16 986 75</u>	<u>10 945 18</u>	<u>27 913 93</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Principal paid on bonds	(11 000 00)	(15 000 00)	(26 000 00)
Interest paid on bonds	(23 299 81)	(11 142 50)	(34 442 31)
Federal grant proceeds	673 800 00	-	673 800 00
Increase in capital assets	(673 848 08)	-	(673 848 08)
Net cash provided (used) by capital and related financing activities	<u>(34 347 89)</u>	<u>(26 142 50)</u>	<u>(60 490 39)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest income	1 095 29	841 34	1 936 63
Net cash provided (used) by investing activities	<u>1 095 29</u>	<u>841 34</u>	<u>1 936 63</u>
Net increase (decrease) in cash	(16 265 85)	(14 355 98)	(30 621 83)
Cash beginning of year	<u>58 820 82</u>	<u>40 041 80</u>	<u>98 862 62</u>
Cash End of Year	<u><u>42 554 97</u></u>	<u><u>25 685 82</u></u>	<u><u>68 240 79</u></u>
<b>RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>			
Income (loss) from operations	(9 202 10)	(35 026 93)	(44 229 03)
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:			
Depreciation	14 314 00	46 418 00	60 732 00
Increase (decrease) in receivables	1 549 86	(445 89)	(1 103 97)
(Increase) decrease in payables	<u>10 324 99</u>	<u>-</u>	<u>10 324 99</u>
Net Cash Provided (Used) in Operating Activities	<u><u>16 986 75</u></u>	<u><u>10 945 18</u></u>	<u><u>27 931 93</u></u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF DETOUR  
Chippewa County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Village of DeTour, Chippewa County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Village contain all the Village funds that are controlled by or dependent on the Village's executive or legislative branches.

The reporting entity is the Village of DeTour. The Village is governed by an elected Village Council. As required by generally accepted accounting principles, these financial statements present the Village as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental and business-type funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

VILLAGE OF DETOUR  
Chippewa County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2006

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Debt Service Fund

This fund is used to account for long-term debt transactions.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer enterprise funds are charges to customers for services. The enterprise funds also recognize as operating revenues the tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Village. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

VILLAGE OF DETOUR  
Chippewa County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2006

Note 1 – Summary of Significant Accounting Policies (continued)

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of July 1 and the related property taxes become a lien on March 1 of the following year. These taxes are due on September 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2005 tax roll millage rate was 13.7635 mills, and the taxable value was \$13,732,618.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Capital Assets

Capital assets are defined by the Village as assets with an initial cost of more than \$2,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	25-50 years
Equipment	5-20 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Post-employment Benefits

The Village provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

VILLAGE OF DETOUR  
Chippewa County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Village Council for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Village Council.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Village Council.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Village Council during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Village to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Village Council has designated three banks for the deposit of Village funds. The investment policy adopted by the Council in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Village's deposits and investments are in accordance with statutory authority.

VILLAGE OF DETOUR  
Chippewa County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2006

Note 3 – Deposits and Investments (continued)

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>355 045 29</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	137 469 71
Uninsured and Uncollateralized	<u>222 371 93</u>
Total Deposits	<u>359 841 64</u>

The Village of DeTour did not have any investments as of March 31, 2006.

Note 4 – Capital Assets

Capital asset activity of the Village's Governmental and Business-Type activities for the current year was as follows:

	<u>Balance 4/1/05</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/06</u>
<u>Governmental Activities:</u>				
Land	163 166 00	-	-	163 166 00
Buildings	134 578 00	-	-	134 578 00
Equipment	<u>581 705 00</u>	<u>33 000 00</u>	-	<u>614 705 00</u>
Total	879 449 00	33 000 00	-	912 449 00
Accumulated Depreciation	<u>(317 104 00)</u>	<u>(33 081 00)</u>	-	<u>(350 185 00)</u>
Net Governmental Capital Assets	<u>562 345 00</u>	<u>(81 00)</u>	-	<u>562 264 00</u>
<u>Business-Type Activities:</u>				
Water and Sewer Systems	5 864 608 77	673 848 08	-	6 538 456 85
Accumulated Depreciation	<u>(1 452 814 00)</u>	<u>(60 732 00)</u>	-	<u>(1 513 546 00)</u>
Net Business-Type Capital Assets	<u>4 411 794 77</u>	<u>613 116 08</u>	-	<u>5 024 910 85</u>



VILLAGE OF DETOUR  
Chippewa County Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2006

Note 5 – Budget Variances

During the fiscal year ended March 31, 2006, Village expenditures exceeded the budgeted amounts in the activities as follows:

	<u>Total Budget</u>	<u>Total Expenditures</u>	<u>Excess Expenditures</u>
General Fund Activity:			
Unallocated	33 121 00	48 538 01	15 417 01
Major street fund Activity:			
Highways and streets	77 125 00	84 710 63	7 585 63

Note 6 – Restricted Assets and Retained Earnings – Reserved

In accordance with Village ordinances, specific assets of the Water Fund and Sewer Fund have been restricted for the funding of required reserves. These reserves have been established to provide for the revenue bond debt service and replacement of fixed assets.

The following is a composition of the restricted assets as of March 31, 2006.

	<u>Water Fund</u>	<u>Sewer Fund</u>
Cash in bank:		
Bond Reserve Account	16 714 80	11 127 84
Bond and Interest Redemption Account	8 362 31	6 159 03
Water Repair and Replacement Account	10 752 46	-
Water Debt Service Account	<u>3 781 09</u>	<u>-</u>
Total	<u>39 610 66</u>	<u>17 286 87</u>

Bond Requirements

Water Supply System: Bonds maturing the years 1983 to 2012 inclusive, will be subject to redemption prior to maturity, in inverse numerical order, on any interest payment date on or after January 1, 1982, at par and accrued interest to the date of redemption.

The governing ordinance requires the Village to make quarterly deposits in an account designated "Bond and Interest Redemption Fund," an amount sufficient to pay at least one-half of the amount of the interest due on the next ensuing interest due date and one-fourth of the amount of the principal due each January 1.

In addition, the Village is required to deposit in an account designated "Bond Reserve Account," \$125.00 each quarter until there is accumulated the sum of \$10,000.00. Such funds are to be used for payment of bonds and interest as to which would otherwise be default.

Sanitary Sewer System: Bonds maturing in the years 1991 to 2018 inclusive, will be subject to redemption prior to maturity, in the inverse numerical order, on any interest payment date on or after January 1, 1990, at par and accrued interest date fixed for redemption.

The governing ordinance requires the Village to make quarterly deposits in an account designated "Bond and Interest Redemption Fund," an amount sufficient to pay at least one-half of the amount of the interest due on the next ensuing interest due date and one-fourth of the amount of the principal due each January 1.

VILLAGE OF DETOUR  
Chippewa County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2006

Note 6 – Restricted Assets and Retained Earnings – Reserved (continued)

In addition, the Village is required to deposit in an account designated "Bond Reserve Account," \$250.00 each quarter until there is accumulated the sum of \$22,000.00. Such funds are to be used for payment of bonds and interest as to which otherwise be default.

Note 7 – Proprietary Fund Fixed Assets

	<u>Enterprise</u>	
	<u>Water</u>	<u>Sewer</u>
Plant, property & equipment	2 825 010 85	3 713 446 00
Less accumulated depreciation	<u>(399 914 00)</u>	<u>(1 113 632 00)</u>
Net	<u>2 425 096 85</u>	<u>2 599 814 00</u>

Proprietary Fund fixed assets are depreciated using the straight-line method over the estimated useful lives which are fifty years.

Note 8 – Changes in Governmental Long-Term Debt

A summary of changes in long-term debt follows:

	<u>Balance 4/1/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 3/31/06</u>
General obligation bonds payable	255 000 00	-	25 000 00	230 000 00
Contract payable – fire truck	51 500 00	-	3 000 00	48 500 00
Contract payable –CAT loader	39 842 86	-	9 382 53	30 460 33
Contract payable – land	<u>-</u>	<u>23 000 00</u>	<u>-</u>	<u>23 000 00</u>
Total	<u>346 342 86</u>	<u>23 000 00</u>	<u>37 382 53</u>	<u>331 960 33</u>

Note 9 – General Obligation Bonds Payable

In 1996, the Village of DeTour sold its general obligation bonds. As of March 31, 2006, the principal balance outstanding on the bonds was \$230,000.00.

<u>Due Date</u>	<u>Principal Amount</u>
10-1-06	30 000 00
10-1-07	30 000 00
10-1-08	40 000 00
10-1-09	40 000 00
10-1-10	45 000 00
10-1-11	<u>45 000 00</u>
Total	<u>230 000 00</u>

VILLAGE OF DETOUR  
Chippewa County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

Note 10 – Contract Payable – Fire Truck

As of March 31, 2006, the principal balance outstanding was \$48,500.00. The interest rate is 4.75% per annum.

<u>Due Date</u>	<u>Principal Amount</u>
5-1-06	3 000 00
5-1-07	3 000 00
5-1-08	4 000 00
5-1-09	4 000 00
5-1-10	4 000 00
5-1-11	4 000 00
5-1-12	4 000 00
5-1-13	4 250 00
5-1-14	4 250 00
5-1-15	4 500 00
5-1-16	4 750 00
5-1-17	4 750 00
Total	<u>48 500 00</u>

Note 11 – Contract Payable – CAT Loader

In 2004, the Village obtained a loan in the amount of \$50,499.00 to fund the purchase of a CAT Loader. The loan requires payment in five annual payments in the amount of \$10,976.24 including interest at the rate of 4.00% per annum. As of March 31, 2006, the principal balance outstanding was \$30,460.33.

Note 12 – Contract Payable -- Land

The Village entered into a land contract with Cloverland Electric. The Village agreed to pay \$10,000.00 upon the signing of the land contract, and the balance in 20% increments upon the sale or lease of each individual parcel.

Note 13 – 1972 Water Revenue Bonds Payable

In 1972, the Village of DeTour sold its bonds to fund the construction of the water system. As of March 31, 2006, the principal balance outstanding on the bonds was \$47,000.00.

<u>Due Date</u>	<u>Principal Amount</u>
1-1-07	7 000 00
1-1-08	8 000 00
1-1-09	8 000 00
1-1-10	8 000 00
1-1-11	8 000 00
1-1-12	8 000 00
Total	<u>47 000 00</u>

VILLAGE OF DETOUR  
Chippewa County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

Note 14 – 2005 Water Revenue Bonds Payable

In 2005, the Village of DeTour sold \$477,000.00 of its bonds to fund further construction of the water system. As of March 31, 2006, the principal balance outstanding was \$467,000.00 and it is recorded in the Water Fund.

<u>Due Date</u>	<u>Principal Amount</u>
1-1-07	5 000 00
1-1-08	5 000 00
1-1-09	5 000 00
1-1-10	6 000 00
1-1-11	6 000 00
1-1-12	6 000 00
1-1-13	6 000 00
1-1-14	7 000 00
1-1-15	7 000 00
1-1-16	7 000 00
1-1-17	8 000 00
1-1-18	8 000 00
1-1-19	8 000 00
1-1-20	9 000 00
1-1-21	9 000 00
1-1-22	9 000 00
1-1-23	10 000 00
1-1-24	10 000 00
1-1-25	11 000 00
1-1-26	11 000 00
1-1-27	12 000 00
1-1-28	12 000 00
1-1-29	13 000 00
1-1-30	13 000 00
1-1-31	14 000 00
1-1-32	15 000 00
1-1-33	15 000 00
1-1-34	16 000 00
1-1-35	17 000 00
1-1-36	17 000 00
1-1-37	18 000 00
1-1-38	19 000 00
1-1-39	20 000 00
1-1-40	21 000 00
1-1-41	22 000 00
1-1-42	23 000 00
1-1-43	23 000 00
1-1-44	<u>24 000 00</u>
Total	<u>467 000 00</u>

VILLAGE OF DETOUR  
Chippewa County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2006

Note 15 – 1970 Sewer Revenue Bonds Payable

In 1970, the Village of DeTour sold its bonds to fund the construction of the sewer system. As of March 31, 2006, the principal balance outstanding was \$210,000.00 and it is recorded in the Sewer Fund.

<u>Due Date</u>	<u>Principal Amount</u>
1-1-07	15 000 00
1-1-08	15 000 00
1-1-09	15 000 00
1-1-10	15 000 00
1-1-11	15 000 00
1-1-12	15 000 00
1-1-13	20 000 00
1-1-14	20 000 00
1-1-15	20 000 00
1-1-16	20 000 00
1-1-17	20 000 00
1-1-18	<u>20 000 00</u>
Total	<u><u>210 000 00</u></u>

Note 16 – Interfund Transfers

The amounts of interfund transfers are as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers Out</u>
Local Street	<u>16 639 43</u>	Major Street	<u>16 639 43</u>
Total	<u><u>16 639 43</u></u>	Total	<u><u>16 639 43</u></u>

Note 17 – Deferred Compensation Plan

The Village does not have a deferred compensation plan.

Note 18 – Pension Plan

Plan Description

The Village has a defined benefit pension plan covering substantially all full-time employees. The plan is operated by the State of Michigan Municipal Employees Retirement System (MERS), which is a cost-sharing multiple-employer retirement system.

The pension plan provides pension, death and disability benefits. Benefits vest after 10 years of service. Normal retirement is based on one of the following requirements:

1. Age 60 and 10 or more years of credited service.
2. Age 55 and 15 or more years of credited service.
3. Age 50 and 25 or more years of credited service (reduced benefit)

VILLAGE OF DETOUR  
Chippewa County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

Note 18 – Pension Plan

Plan Description (continued)

The Village's current year covered payroll and its total current year payroll for all employees amounted to \$132,119.27. and \$138,446.79 respectively.

Plan Description

Pension Benefit Obligation

The actuarial accrued liability was determined as part of an actuarial valuation of the plan as of December 31, 2005.

Actuarial Accrued Liability:

Retirees and beneficiaries currently receiving benefits	\$13,258
Terminated employees not yet receiving benefits	2,072
Current employees – Accumulated employee contributions including allocated Investment income	-
Employer financed	<u>342,018</u>
Total Actuarial Accrued Liability	357,348
Net Assets Available for Benefits, at Actuarial Value (Market Value is \$176,911)	<u>181,699</u>
Overfunded (Unfunded) Actuarial Accrual Liability	<u>(175,649)</u>

Contributions Required and Contributions Made

MERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The annual required contribution for the fiscal year beginning April 1, 2007, is \$20,976.00.

Total employer contributions mae during the fiscal year ended March 31, 2006, amounted to \$20,294.81.

Note 19 – Risk Management

The Village is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Village has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

VILLAGE OF DETOUR  
Chippewa County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2006

Note 20 – Segment Information for Enterprise Funds

The Village maintains two Enterprise Funds which provide water and sewer services. Segment information for the year ended March 31, 2006, is as follows:

	<u>Water Fund</u>	<u>Sewer Fund</u>
Operating revenues	105 087 01	88 843 78
Depreciation expense	14 314 00	46 418 00
Change in net assets	642 393 38	(45 328 09)
Operating income (loss)	(9 202 10)	(35 026 93)
Bonds payable	514 000 00	210 000 00
Net working capital	(15 628 85)	1 701 70
Net assets	1 947 078 66	2 423 802 57

Note 21 – Building Permits

The Village of DeTour does not issue building permits. Building permits are issued by the County of Chippewa.

VILLAGE OF DETOUR  
Chippewa County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
Year ended March 31, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	130 000 00	130 000 00	130 494 43	494 43
Licenses and permits	6 000 00	6 000 00	4 265 00	(1 735 00)
State revenue sharing	32 500 00	32 500 00	37 176 85	4 676 85
Charges for services	54 000 00	54 000 00	66 761 80	12 761 80
Interest	1 600 00	1 600 00	6 972 09	5 372 09
Miscellaneous	35 900 00	35 900 00	39 303 61	3 403 61
Total revenues	<u>260 000 00</u>	<u>260 000 00</u>	<u>284 973 78</u>	<u>24 973 78</u>
Expenditures:				
Legislative:				
Village Council	4 500 00	4 500 00	4 184 47	(315 53)
General government:				
Assessor	100 00	100 00	100 00	-
Clerk	5 200 00	5 200 00	4 778 10	(421 90)
Treasurer	6 850 00	6 850 00	5 456 48	(1 393 52)
Building and grounds	17 800 00	17 750 00	15 819 59	(1 930 41)
Village hall	16 600 00	17 650 00	16 021 80	(1 628 20)
Accounting	18 000 00	18 000 00	16 435 24	(1 564 76)
Attorney	1 000 00	1 000 00	768 13	(231 87)
Unallocated	35 000 00	33 121 00	48 538 01	15 417 01
Public safety:				
Ambulance	30 350 00	34 760 00	32 267 16	(2 492 84)
Fire protection	17 750 00	18 910 00	16 555 13	(2 345 87)
Public works:				
Public works	56 850 00	63 870 00	62 410 95	(1 459 05)
Capital outlay	33 000 00	33 000 00	33 000 00	-
Debt service	17 000 00	17 000 00	16 351 23	(648 77)
Total expenditures	<u>260 000 00</u>	<u>271 711 00</u>	<u>272 686 29</u>	<u>975 29</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(11 711 00)</u>	<u>12 287 49</u>	<u>23 998 49</u>
Other financing sources (uses):				
Loan proceeds	-	-	23 000 00	23 000 00
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>23 000 00</u>	<u>23 000 00</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>-</u>	<u>(11 711 00)</u>	<u>35 287 49</u>	<u>46 998 49</u>
Fund balance, April 1	<u>-</u>	<u>11 711 00</u>	<u>140 371 77</u>	<u>128 660 77</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>175 659 26</u>	<u>175 659 26</u>



VILLAGE OF DETOUR  
Chippewa County, Michigan

BUDGETARY COMPARISON SCHEDULE – MAJOR STREET FUND  
Year ended March 31, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
State revenue sharing	51 600 00	51 600 00	51 822 81	222 81
Interest	700 00	700 00	1 437 11	737 11
Miscellaneous	8 500 00	8 500 00	9 034 86	534 86
Total revenues	60 800 00	60 800 00	62 294 78	1 494 78
Expenditures:				
Public works:				
Highways and streets	48 800 00	77 125 00	84 710 63	7 585 63
Total expenditures	48 800 00	77 125 00	84 710 63	7 585 63
Excess (deficiency) of revenues over expenditures	12 000 00	(16 325 00)	(22 415 85)	(6 090 85)
Other financing sources (uses):				
Operating transfers out	(12 000 00)	(12 000 00)	(16 639 43)	(4 639 43)
Total other financing sources (uses)	(12 000 00)	(12 000 00)	(16 639 43)	(4 639 43)
Excess (deficiency) of revenues and other sources over expenditures and other uses	-	(28 325 00)	(39 055 28)	(10 730 28)
Fund balance, April 1	-	28 325 00	87 274 62	58 949 62
Fund Balance, March 31	-	-	48 219 34	48 219 34

VILLAGE OF DETOUR  
Chippewa County, Michigan

COMBINING BALANCE SHEET – ALL SPECIAL REVENUE FUNDS  
March 31, 2006

<u>Assets</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Housing</u>	<u>Total</u>
Cash in bank	39 106 84	25 919 27	8 831 00	73 857 11
Accounts receivable	-	-	2 434 00	2 434 00
Due from State of Michigan	9 112 50	3 418 13	-	12 530 63
Total Assets	<u>48 219 34</u>	<u>29 337 40</u>	<u>11 265 00</u>	<u>88 821 74</u>
<u>Liabilities and Fund Balances</u>				
Liabilities	-	-	-	-
Total liabilities	-	-	-	-
Fund balances:				
Unreserved:				
Undesignated	48 219 34	29 337 40	11 265 00	88 821 74
Total fund balances	<u>48 219 34</u>	<u>29 337 40</u>	<u>11 265 00</u>	<u>88 821 74</u>
Total Liabilities and Fund Balances	<u>48 219 34</u>	<u>29 337 40</u>	<u>11 265 00</u>	<u>88 821 74</u>

VILLAGE OF DETOUR  
Chippewa County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – ALL SPECIAL REVENUE FUNDS  
Year ended March 31, 2006

	<u>Major Street</u>	<u>Local Street</u>	<u>Housing</u>	<u>Total</u>
Revenues:				
State revenue sharing	51 822 81	21 510 01	-	73 332 82
Interest	1 437 11	716 26	-	2 153 37
Miscellaneous	<u>9 034 86</u>	<u>1 702 43</u>	<u>-</u>	<u>10 737 29</u>
Total revenues	<u>62 294 78</u>	<u>23 928 70</u>	<u>-</u>	<u>86 223 48</u>
Expenditures – Public Works:				
Highways and streets:				
Construction	22 823 00	-	-	22 823 00
Routine maintenance	20 844 55	14 295 31	-	35 139 86
Winter maintenance	25 332 62	19 174 54	-	44 507 16
Administration	<u>15 710 46</u>	<u>5 043 62</u>	<u>-</u>	<u>20 754 08</u>
Total expenditures	<u>84 710 63</u>	<u>38 513 47</u>	<u>-</u>	<u>123 224 10</u>
Excess (deficiency) of revenues over expenditures	<u>(22 415 85)</u>	<u>(14 584 77)</u>	<u>-</u>	<u>(37 000 62)</u>
Other financing sources (uses):				
Operating transfers in	-	16 639 43	-	16 639 43
Operating transfers out	<u>(16 639 43)</u>	<u>-</u>	<u>-</u>	<u>(16 639 43)</u>
Total other financing sources (uses)	<u>(16 639 43)</u>	<u>16 639 43</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(39 055 28)	2 054 66	-	(37 000 62)
Fund balances, April 1	<u>87 274 62</u>	<u>27 282 74</u>	<u>11 265 00</u>	<u>125 822 36</u>
Fund Balances, March 31	<u><u>48 219 34</u></u>	<u><u>29 337 40</u></u>	<u><u>11 265 00</u></u>	<u><u>88 821 74</u></u>

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## **REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

May 23, 2006

To the Village Council  
Village of DeTour  
Chippewa County, Michigan

We have audited the financial statements of the Village of DeTour, Chippewa County, Michigan, as of and for the year ended March 31, 2006, and have issued our report thereon dated May 23, 2006. We conducted our audit in accordance with generally accepted auditing standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States.

### **Compliance**

As a part of obtaining reasonable assurance about whether Village of DeTour's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect of the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclose no instances of non-compliance that are required to be reported under Government Auditing Standards.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Village of DeTour's internal control over financial reporting in order to determine our auditing procedures for the purposes of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted an inadequate control over cash transactions caused by an inherent lack of segregation of duties which is due to the limited number of office personnel employed involving the internal control over financial reporting and its operation that we consider to be a material weakness.

This report is intended solely for the information of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

*Campbell, Kusterer & Co., P.C.*  
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## **REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

May 23, 2006

To the Village Council  
Village of DeTour  
Chippewa County, Michigan

### **Compliance**

We have audited the compliance of Village of DeTour, Chippewa County, Michigan, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended March 31, 2006. Village of DeTour's major federal programs are identified in the schedule of expenditures of federal awards. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Village of DeTour's management. Our responsibility is to express an opinion on Village of DeTour's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Village of DeTour's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Village of DeTour's compliance with those requirements.

In our opinion, Village of DeTour complies, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended March 31, 2006.

### **Internal Control Over Compliance**

The management of Village of DeTour is responsible for establishing and maintaining effective control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Village of DeTours' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

To the Village Council  
Village of DeTour  
Chippewa County, Michigan

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be a material weakness. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

*Campbell, Kusterer & Co., P.C.*  
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VILLAGE OF DETOUR  
Chippewa County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year ended March 31, 2006

<u>Federal Grantor / Pass-through Grantor / Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture:		
Direct programs		
Rural Development Water Improvement Grant	10.760	<u>673 848 08</u>
Total Expenditures of Federal Awards		<u><u>673 848 08</u></u>

VILLAGE OF DETOUR  
Chippewa County, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year ended March 31, 2006

There were no prior year findings.

There are no current year findings.



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## **AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS**

May 23, 2006

To the Village Council  
Village of DeTour  
Chippewa County, Michigan

We have audited the financial statements of the Village of DeTour for the year ended March 31, 2006. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### **AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES**

We conducted our audit of the financial statements of the Village of DeTour in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Village Council  
Village of DeTour  
Chippewa County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **SEGREGATION OF DUTIES**

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Village's financial statements and this communication of these matters does not affect our report on the Village's financial statements, dated March 31, 2006.

### **SUMMARY**

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

*Campbell, Kusterer & Co., P.C.*  
CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants